

"(A) IN GENERAL.—The Secretary shall reduce the grant payable to the State under section 403(a)(1) for fiscal year 1998, 1999, 2000, 2001, 2002, or 2003 by the amount (if any) by which qualified State expenditures for the immediately preceding fiscal year are less than the applicable percentage of historic State expenditures with respect to such preceding fiscal year.

"(B) DEFINITIONS.—As used in this paragraph:

"(i) QUALIFIED STATE EXPENDITURES.—

"(I) IN GENERAL.—The term "qualified State expenditures" means, with respect to a State and a fiscal year, the total expenditures by the State during the fiscal year, under all State programs, for any of the following with respect to eligible families:

"(aa) Cash assistance;

"(bb) Child care assistance;

"(cc) Educational activities designed to

increase self-sufficiency, job training, and

work, excluding any expenditure for public

education in the State except expenditures

which involve the provision of services or

assistance to a member of an eligible family

which is not generally available to persons

who are not members of an eligible family.

"(dd) Administrative costs in connection

with the matters described in items (aa), (bb),

(cc), and (ee), but only to the extent that

such costs do not exceed 15 percent of the

amount of qualified State expenditures for the

fiscal year.

"(ee) Any other use of funds allowable

under section 404(a)(1).

"(II) EXCLUSION OF TRANSFERS FROM OTHER STATE AND LOCAL PROGRAMS.—Such term

does not include expenditures under any State or

local program during a fiscal year, except to

the extent that—

"(aa) the expenditures exceed the amount

expended under the State or local program in the fiscal year most recently ending before the date of the enactment of this part: or

"(bb) the State is entitled to a payment under former section 403 (as in effect immediately before such date of enactment) with respect to the expenditures.

"(II) ELIGIBLE FAMILIES. — As used in subclause (I), the term "eligible families" means families eligible for assistance under the State program funded under this part, and families that would be eligible for such assistance but for the application of section 408(a)(7) of this Act or section 402 of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996.

"(ii) APPLICABLE PERCENTAGE. — The term "applicable percentage" means for fiscal years 1997 through 2002, 80 percent (or, if the State meets the